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Before the
Federal Communications Commission
Washington, D.C. 20554

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MAY 20 1998

In the Matter of
Federal-State Joint
Board on Universal Service

FCC MAIL ROOM
CC Docket No. 96-45 and
97-160 (DA 98-715)

**Comments Of North Dakota Public Service Commission
Concerning Proposals To Revise The Methodology For Determining
Federal Universal Service Support.**

On April 15, 1998, the Common Carrier Bureau ("CCB") of the Federal Communications Commission ("FCC" or Commission) released a Notice, DA 98-715, seeking comment on proposals to revise the methodology for determining federal universal service support.

The CCB requested comments on several alternative proposals, including the U S WEST 30-50 proposal, the TIAP 100% density zone proposal, the NARUC Ad Hoc Committee proposal and two TIAP funding proposals. Other proposals were filed later by the Arizona Public Service and the South Dakota Public Service Commissions.

1. U S WEST 30-50 and TIAP 100% Density Zone Proposals.

The North Dakota Public Service Commission supports the U S WEST 30-50 proposal and the TIAP density zone proposals.

North Dakota is a sparsely populated state with comparatively few low cost lines when compared to the number of high cost lines. Our ratio of high cost lines to low cost lines is roughly one to one which means that each low cost line must support one high cost line. In contrast, other states, such as New Jersey, have as many as 6 low cost lines supporting one high cost line.

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Also, North Dakota's high cost lines are extremely costly because of the sparse population density in certain areas. For example, the cost of serving clusters in the Alexander exchange in western North Dakota, as estimated through the use of the HAI 5.0a model inputs as shown on the attached sheets, ranges from \$139 to \$1342 per line pre month!

Also attached is a density zone report for the same HAI 5.0a run which shows that North Dakota's universal service needs lie exclusively in the two lowest density zones which include only 21,000 primary residential and single line business lines, more or less, but require universal service support based on the \$31/\$51 benchmarks of almost \$25,000,000!

The FCC 25/75 proposal places an inordinate burden of supporting these extremely high cost lines on the North Dakota users. The burden should be shared more equitably by all telephone service users, not just those in North Dakota. Both the TIAP density zone proposal and the U S WEST 30-50 proposal address this inequity most fairly, but the North Dakota Public Service Commission is unable to prefer one or the other until the FCC adopts a universal service fund cost model and inputs.

2. AD Hoc Committee Proposal.

The North Dakota Public Service Commission supports the Ad Hoc Committee proposal in so far as it proposes that the universal service funds be distributed to the state commissions for disbursement pursuant to plans developed by the states, but otherwise opposes the proposal.

The North Dakota Public Service Commission adopts the comments of the South Dakota Public Service Commission in its opposition to the proposal as set forth in its recent filing. A copy of that filing is attached.

3. The 25/75 Proposal.

The North Dakota Public Service Commission has previously filed notice of its opposition to the FCC 25/75 proposal and joins with other states in their opposition to the proposal on the grounds that it violates the mandate of the universal service support provisions of the Act. Prices for telephone service in rural areas must be comparable to

that in urban areas. The 25/75 proposal destroys that comparability by placing an inordinate burden of supporting the universal service fund on the states, particularly those states without the ability to internally support and fund universal service.

4. TIAP 40/60 Proposal.

Even though the 40/60 proposal is an improvement over the FCC's 25/75 proposal, the North Dakota Public Service Commission does not support the TIAP 40/60 proposal because it does not go far enough in equitably dividing the burden of supporting North Dakota's extremely high cost lines between North Dakota telephone customers and non-North Dakota telephone customers.

5. TIAP Funding Proposals.

TIAP proposes funding the universal service through either a per line surcharge or through a surcharge based on a percentage of the total (interstate and intrastate) revenues.

The North Dakota Public Service Commission supports the percentage proposal. The PSC believes that the percentage proposal would be the most fair to the low income users and most in accord with the Act. It appears that low income customers who typically spend less for telephone service will pay less under the percentage proposal.

6. Arizona Line Extension support Proposal.

The North Dakota Public Service Commission supports the Arizona Commission in its proposal for supporting in part the cost of constructing and extending service to the homes of low-income customers in previously unserved areas. The arguments advanced by the Arizona Commission identify a clear need for such support.

7. South Dakota Commission Proposals.

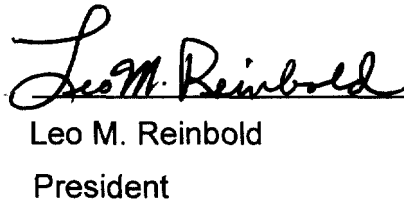
The North Dakota Public Service Commission supports the concepts advanced by the South Dakota Commission in its proposal to provide support through either a variable support option or a variable benchmark option, depending upon a states ability to internally support and fund universal service, but reserves final comment thereon until the proposals are further defined.

Respectfully submitted by the North Dakota Public Service Commission this 15th
day of May, 1998.

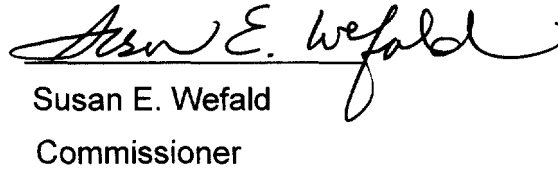
PUBLIC SERVICE COMMISSION



Bruce Hagen
Commissioner



Leo M. Reinbold
President



Susan E. Wefald
Commissioner

HAI Model Release 5.0a

Cluster Expense Module

To recalculate press F9

% of Loop Assigned for USF

100%

Support
Service?Monthly
Benchmrk

\$31.00 Primary residence lines

TRUE

% of Port Assigned for USF

100%



\$31.00 Secondary residence lines

FALSE

Bus/Res local DEM usage ratio

110%



\$51.00 Single line business lines

TRUE



\$51.00 Multiline business lines

FALSE



\$51.00 Public lines

FALSE

ALXNDBC	380539825001	010	0	16	16	16	-	15	-	\$363.29	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825001	013	0	14	14	14	-	13	-	\$339.17	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825001	017	0	11	11	11	-	10	-	\$737.03	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825001	018	0	9	9	9	-	8	-	\$1,024.63	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825002	011	0	29	29	29	-	26	-	\$280.32	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825002	012	0	69	69	69	-	62	-	\$241.79	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825002	014	0	10	10	10	-	9	-	\$454.03	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825002	015	0	13	13	13	-	12	-	\$493.76	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825002	016	0	11	11	11	-	10	-	\$348.96	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825003	005	0	12	12	12	-	11	-	\$928.60	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825003	006	0	31	31	31	-	28	-	\$259.56	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825003	008	0	116	116	116	-	105	-	\$139.03	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825003	009	0	31	31	31	-	28	-	\$346.53	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825004	002	0	6	6	6	-	6	-	\$550.68	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825004	004	0	10	10	10	-	9	-	\$538.84	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825004	007	0	107	107	107	-	98	-	\$201.78	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825005	001	0	9	9	9	-	8	-	\$1,342.67	\$1.21	\$1.76	\$1.18	\$4.85
ALXNDBC	380539825005	003	0	10	10	10	-	9	-	\$678.88	\$1.21	\$1.76	\$1.18	\$4.85
BLFDNDBC	380899840001	005	5	424	424	423	1	390	0	\$80.79	\$1.42	\$2.06	\$1.14	\$5.36
BLFDNDBC	380899840001	007	5	20	20	20	-	19	-	\$278.91	\$1.42	\$2.06	\$1.14	\$5.36
BLFDNDBC	380899840002	008	0	7	7	7	-	7	-	\$289.18	\$1.21	\$1.77	\$0.96	\$3.93
BLFDNDBC	380899840003	002	0	10	10	10	-	9	-	\$361.26	\$1.21	\$1.77	\$0.96	\$3.93
BLFDNDBC	380899840003	003	0	14	14	14	-	13	-	\$204.57	\$1.21	\$1.77	\$0.96	\$3.93
BLFDNDBC	380899840003	004	0	7	7	7	-	6	-	\$508.22	\$1.21	\$1.77	\$0.96	\$3.93
BLFDNDBC	380899840004	001	0	25	25	25	-	23	-	\$513.47	\$1.21	\$1.77	\$0.96	\$3.93
BSMRNDBC	380150101001	026	5000	193	181	148	10	137	1	\$8.49	\$0.80	\$1.17	\$0.24	\$0.47
BSMRNDBC	380150101003	039	10000	1,365	1,196	627	76	565	17	\$15.01	\$0.76	\$1.11	\$0.23	\$0.22
BSMRNDBC	380150101004	046	10000	2,064	1,580	190	82	171	42	\$7.04	\$0.77	\$1.12	\$0.23	\$0.25
BSMRNDBC	380150101004	048	10000	2,415	1,816	198	262	187	50	\$6.33	\$0.77	\$1.12	\$0.23	\$0.25
BSMRNDBC	380150101004	049	10000	768	604	158	105	145	14	\$11.52	\$0.77	\$1.12	\$0.23	\$0.24
BSMRNDBC	380150102001	027	2550	665	616	483	28	440	4	\$6.84	\$0.78	\$1.13	\$0.23	\$0.24
BSMRNDBC	380150102002	026	5000	1,064	1,041	980	23	919	2	\$11.95	\$0.80	\$1.16	\$0.24	\$0.45
BSMRNDBC	380150102003	030	5000	1,358	1,220	846	64	784	11	\$9.15	\$0.80	\$1.17	\$0.24	\$0.49
BSMRNDBC	380150102004	044	10000	1,363	1,152	609	121	549	17	\$20.25	\$0.76	\$1.11	\$0.23	\$0.22
BSMRNDBC	380150103001	022	5000	1,278	1,212	1,031	38	932	6	\$13.41	\$0.80	\$1.17	\$0.24	\$0.47
BSMRNDBC	380150103002	023	5000	1,080	1,026	934	27	851	3	\$14.80	\$0.80	\$1.17	\$0.24	\$0.46
BSMRNDBC	380150103002	025	5000	973	937	841	31	779	3	\$12.26	\$0.80	\$1.17	\$0.24	\$0.46

Universal Service Calculation Sheet - monthly costs per line

North Dakota

Northwestern Bell-North Dakota

	0 - 5 lines/sq mi	5 - 100 lines/sq mi	100 - 200 lines/sq mi	200 - 850 lines/sq mi	850 - 880 lines/sq mi	880 - 2,550 lines/sq mi	2,550 - 5,000 lines/sq mi	5,000 - 10,000 lines/sq mi	> 10,000 lines/sq mi	Weighted Average
Local network costs										
Loop	\$ 214.17	\$ 46.84	\$ 19.91	\$ 20.26	\$ 14.64	\$ 13.14	\$ 10.42	\$ 12.01	\$ 13.88	\$ 24.31
Port	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
End office usage	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26
Signaling	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Transport	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
Local retail costs										
Billing/bill inquiries	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37
Directory listing	-	-	-	-	-	-	-	-	-	-
LNP expense (when available)	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
Basic Local Service										
Avg monthly cost per line	\$ 219.97	\$ 51.84	\$ 24.81	\$ 25.16	\$ 19.64	\$ 18.94	\$ 15.32	\$ 16.92	\$ 18.78	\$ 29.21
@ Residence usage per line	\$ 218.96	\$ 51.43	\$ 24.70	\$ 25.05	\$ 19.43	\$ 17.93	\$ 15.20	\$ 16.80	\$ 18.67	\$ 32.93
@ Business usage per line	\$ 219.38	\$ 51.82	\$ 25.09	\$ 25.44	\$ 19.82	\$ 18.32	\$ 15.90	\$ 17.20	\$ 19.06	\$ 20.06
Total switched lines	10,626	14,052	7,049	28,392	9,860	39,512	50,139	54,084	27,518	241,231
Primary residence lines	9,525	10,749	5,471	19,872	6,558	24,410	32,585	37,011	10,770	156,952
Secondary residence lines	940	1,092	443	1,927	622	2,488	2,802	3,353	908	14,575
Single line business lines	73	550	362	1,433	519	1,919	2,624	2,574	2,847	12,701
Multiline business lines	83	1,593	737	4,958	2,078	10,308	11,674	10,725	12,708	54,863
Public lines	5	68	35	202	82	387	453	421	486	2,140
FEDERAL FUND ANALYSIS										
Annual Support for line types:	Specify	Bench mark								
Primary residence lines	X	\$31.00	\$ 21,484,176	\$ 2,634,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,119,117
Secondary residence lines		\$31.00	\$ 2,119,853	\$ 287,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,387,364
Single line business lines	X	\$51.00	\$ 146,762	\$ 5,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152,181
Multiline business lines		\$51.00	\$ 168,039	\$ 15,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,716
Public lines		\$51.00	\$ 9,969	\$ 668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,637
Support cost if all lines supported			\$ 23,928,596	\$ 2,924,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,853,014
Total annual support for specified lines										
@25% Federal allocation			\$ 5,407,735	\$ 860,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,067,824
@Implied 75% State allocation			\$ 18,223,204	\$ 1,980,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,203,473

Total Annual Support for Primary Residence Lines at Pre-Selected Monthly Benchmarks

\$30.00	\$ 22,741,507	\$ 4,063,806	\$ 308,643	\$ 1,204,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,308,452
\$35.00	\$ 21,598,479	\$ 2,763,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,362,407
\$40.00	\$ 20,455,451	\$ 1,474,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,929,503
\$45.00	\$ 19,312,423	\$ 184,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,496,598
\$50.00	\$ 18,169,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,169,395
\$70.00	\$ 17,026,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,026,367
\$80.00	\$ 15,883,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,883,339

STATE FUND ANALYSIS												
Annual Support for line types:		Bench mark										
	Specify											
Primary residence lines	X	\$31.00	\$ 21,484,176	\$ 2,634,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,119,117
Secondary residence lines		\$31.00	\$ 2,119,653	\$ 267,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,387,364
Single line business lines	X	\$51.00	\$ 146,762	\$ 5,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152,181
Multiline business lines		\$51.00	\$ 166,039	\$ 15,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,716
Public lines		\$51.00	\$ 9,969	\$ 668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,637
Support cost if all lines supported			\$ 23,928,596	\$ 2,924,416	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,853,014
Total annual support for specified lines			\$ 21,630,938	\$ 2,840,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,271,298
@75% State allocation			\$ 16,223,204	\$ 1,980,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,203,473
@Implied 25% Federal allocation			\$ 5,407,735	\$ 860,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,067,824

TOTAL FUND ANALYSIS												
25% Federal allocation from Federal Fund Analysis			\$ 5,407,735	\$ 860,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,067,824
75% State allocation from State Fund Analysis			\$ 16,223,204	\$ 1,980,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,203,473
Total Federal + State fund			\$ 21,630,938	\$ 2,840,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,271,298

Module release date:

11/4/97

Scenario Inputs

NOTE: This sheet displays all user adjustable inputs which vary from HM 5.0a default settings

Workfile Name: C:\Program Files\HM50\WORKFILES\HMKND3851442.XLS
Distribution Module Name: C:\Program Files\HM50\MODULES\R50a_distribution.xls
Feeder Module Name: C:\Program Files\HM50\MODULES\R50a_feeder.xls
Switching Module Name: C:\Program Files\HM50\MODULES\R50a_switching_io.xls
Expense Module Name: C:\Program Files\HM50\MODULES\R50a_expense_density.xls

Distribution	Buried Fraction - 0	0.71	0.75
Distribution	Buried Fraction - 5	0.71	0.75
Distribution	Buried Fraction - 100	0.83	0.75
Distribution	Buried Fraction - 200	0.83	0.7
Distribution	Buried Fraction - 650	0.83	0.7
Distribution	Buried Fraction - 850	0.87	0.7
Distribution	Buried Fraction - 2550	0.72	0.65
Distribution	Buried Fraction - 5000	0.72	0.35
Distribution	Buried Fraction - 10000	0.29	0.05
Distribution	Aerial Cable Fraction - 0	0.29	0.25
Distribution	Aerial Cable Fraction - 5	0.29	0.25
Distribution	Aerial Cable Fraction - 100	0.17	0.25
Distribution	Aerial Cable Fraction - 200	0.17	0.3
Distribution	Aerial Cable Fraction - 650	0.17	0.3
Distribution	Aerial Cable Fraction - 850	0.13	0.3
Distribution	Aerial Cable Fraction - 2550	0.1	0.3
Distribution	Aerial Cable Fraction - 5000	0.1	0.6
Distribution	Aerial Cable Fraction - 10000	0	0.85
Distribution	Local RT - Maximum Total Distance	12000	18000
Feeder	Copper Aerial Fraction - 0	0.05	0.5
Feeder	Copper Aerial Fraction - 5	0.05	0.5
Feeder	Copper Aerial Fraction - 100	0.02	0.5
Feeder	Copper Aerial Fraction - 200	0.02	0.4
Feeder	Copper Aerial Fraction - 650	0.02	0.3
Feeder	Copper Aerial Fraction - 850	0	0.2
Feeder	Copper Aerial Fraction - 2550	0	0.15
Feeder	Copper Aerial Fraction - 5000	0	0.1
Feeder	Copper Aerial Fraction - 10000	0	0.05

Scenario Inputs

Feeder	Copper Buried Fraction - 0	0.93	0.45
Feeder	Copper Buried Fraction - 5	0.9	0.45
Feeder	Copper Buried Fraction - 100	0.83	0.45
Feeder	Copper Buried Fraction - 200	0.83	0.4
Feeder	Copper Buried Fraction - 650	0.83	0.3
Feeder	Copper Buried Fraction - 2550	0.15	0.1
Feeder	Copper Buried Fraction - 5000	0.15	0.05
Feeder	Copper Buried Fraction - 10000	0	0.05
Feeder	Fiber Aerial Fraction - 0	0.05	0.35
Feeder	Fiber Aerial Fraction - 5	0.05	0.35
Feeder	Fiber Aerial Fraction - 100	0.02	0.35
Feeder	Fiber Aerial Fraction - 200	0.02	0.3
Feeder	Fiber Aerial Fraction - 650	0.02	0.3
Feeder	Fiber Aerial Fraction - 850	0	0.2
Feeder	Fiber Aerial Fraction - 2550	0	0.15
Feeder	Fiber Aerial Fraction - 5000	0	0.1
Feeder	Fiber Aerial Fraction - 10000	0	0.05
Feeder	Fiber Buried Fraction - 0	0.93	0.6
Feeder	Fiber Buried Fraction - 5	0.9	0.6
Feeder	Fiber Buried Fraction - 100	0.83	0.6
Feeder	Fiber Buried Fraction - 200	0.83	0.6
Feeder	Fiber Buried Fraction - 650	0.83	0.3
Feeder	Fiber Buried Fraction - 2550	0.15	0.1
Feeder	Fiber Buried Fraction - 5000	0.15	0.05
Feeder	Fiber Buried Fraction - 10000	0	0.05
Expense	Cost of Debt	0.088	0.077
Expense	Cost of Equity	0.1325	0.119
Expense	Tax Rate	0.394	0.3925
Expense	Other Taxes Factor	0.011	0.05
Expense	Distribution Aerial Shring Fraction - 5	0.5	0.33
Expense	Distribution Aerial Shring Fraction - 100	0.5	0.25
Expense	Distribution Aerial Shring Fraction - 200	0.5	0.25
Expense	Distribution Aerial Shring Fraction - 650	0.5	0.25
Expense	Distribution Aerial Shring Fraction - 850	0.5	0.25
Expense	Distribution Aerial Shring Fraction - 2550	0.5	0.25
Expense	Distribution Aerial Shring Fraction - 5000	0.5	0.25
Expense	Distribution Aerial Shring Fraction - 10000	0.5	0.25
Expense	Distribution Buried Shring Fraction - 0	0.97	0.33

Scenario Inputs

Expense	Distribution Buried Shring Fraction - 5	0.93	0.33
Expense	Distribution Buried Shring Fraction - 100	0.8	0.33
Expense	Distribution Buried Shring Fraction - 200	0.66	0.33
Expense	Distribution Buried Shring Fraction - 650	0.66	0.33
Expense	Distribution Buried Shring Fraction - 850	0.66	0.33
Expense	Distribution Buried Shring Fraction - 2550	0.66	0.33
Expense	Distribution Buried Shring Fraction - 5000	0.66	0.33
Expense	Distribution Buried Shring Fraction - 10000	0.66	0.33
Expense	Distribution Underground Shring Fraction - 0	0.66	1
Expense	Distribution Underground Shring Fraction - 5	0.66	0.5
Expense	Distribution Underground Shring Fraction - 100	0.66	0.5
Expense	Distribution Underground Shring Fraction - 200	0.66	0.5
Expense	Distribution Underground Shring Fraction - 650	0.66	0.4
Expense	Distribution Underground Shring Fraction - 850	0.66	0.33
Expense	Distribution Underground Shring Fraction - 2550	0.66	0.33
Expense	Distribution Underground Shring Fraction - 5000	0.66	0.33
Expense	Distribution Underground Shring Fraction - 10000	0.66	0.33
Expense	Feeder Aerial Shring Fraction - 5	0.5	0.33
Expense	Feeder Aerial Shring Fraction - 100	0.5	0.25
Expense	Feeder Aerial Shring Fraction - 200	0.5	0.25
Expense	Feeder Aerial Shring Fraction - 650	0.5	0.25
Expense	Feeder Aerial Shring Fraction - 850	0.5	0.25
Expense	Feeder Aerial Shring Fraction - 2550	0.5	0.25
Expense	Feeder Aerial Shring Fraction - 5000	0.5	0.25
Expense	Feeder Aerial Shring Fraction - 10000	0.5	0.25
Expense	Feeder Underground Shring Fraction - 0	0.66	0.5
Expense	Feeder Underground Shring Fraction - 5	0.66	0.5
Expense	Feeder Underground Shring Fraction - 100	0.66	0.4
Expense	Feeder Underground Shring Fraction - 200	0.66	0.33
Expense	Feeder Underground Shring Fraction - 650	0.66	0.33
Expense	Feeder Underground Shring Fraction - 850	0.66	0.33
Expense	Feeder Underground Shring Fraction - 2550	0.66	0.33
Expense	Feeder Underground Shring Fraction - 5000	0.66	0.33
Expense	Feeder Underground Shring Fraction - 10000	0.66	0.33
Expense	Feeder Buried Shring Fraction - 0	0.99	0.4
Expense	Feeder Buried Shring Fraction - 5	0.93	0.4
Expense	Feeder Buried Shring Fraction - 100	0.86	0.4
Expense	Feeder Buried Shring Fraction - 200	0.77	0.4

Scenario Inputs			
Expense	Feeder Buried Shring Fraction - 650	0.66	0.4
Expense	Feeder Buried Shring Fraction - 850	0.66	0.4
Expense	Feeder Buried Shring Fraction - 2550	0.66	0.4
Expense	Feeder Buried Shring Fraction - 5000	0.66	0.4
Expense	Feeder Buried Shring Fraction - 10000	0.66	0.4
Expense	Motor Vehicles - Economic Life	10	8.24
Expense	Garage Work Equipment - Economic Life	14	12.22
Expense	Other Work Equipment - Economic Life	14	13.04
Expense	Buildings - Economic Life	51	46.93
Expense	Furniture - Economic Life	15	15.92
Expense	Office Support Equipment - Economic Life	13	10.78
Expense	Company Comm. Equipment - Economic Life	8	7.4
Expense	General Purpose Computer - Economic Life	6	6.12
Expense	Digital Electronic Switching - Economic Life	16	16.17
Expense	Operator Systems - Economic Life	8	9.41
Expense	Digital Circuit Equipment - Economic Life	11.5	10.24
Expense	Public Telephone Terminal Equipment - Economic Life	8	7.6
Expense	Poles - Economic Life	18	30.25
Expense	Aerial Cable - metallic - Economic Life	18	20.61
Expense	Aerial Cable - non metallic - Economic Life	25	26.14
Expense	Underground Cable - non metallic - Economic Life	25	26.45
Expense	Buried - metallic - Economic Life	21	21.57
Expense	Buried - non metallic - Economic Life	25	25.91
Expense	Intrabuilding Cable - metallic - Economic Life	20	18.18
Expense	Intrabuilding Cable - non metallic - Economic Life	25	26.11
Expense	Conduit Systems - Economic Life	55	56.19
Expense	Motor Vehicles - Net Salvage %	0.14	0.1121
Expense	Garage Work Equipment - Net Salvage %	0	-0.1071
Expense	Other Work Equipment - Net Salvage %	0.1	0.0321
Expense	Buildings - Net Salvage %	0.1	0.0187
Expense	Furniture - Net Salvage %	0	0.0688
Expense	Office Support Equipment - Net Salvage %	0	0.0691
Expense	Company Comm. Equipment - Net Salvage %	-0.01	0.0376
Expense	General Purpose Computer - Net Salvage %	0.05	0.0373
Expense	Digital Electronic Switching - Net Salvage %	0	0.0297
Expense	Operator Systems - Net Salvage %	0	-0.0082
Expense	Digital Circuit Equipment - Net Salvage %	0	-0.0169
Expense	Public Telephone Terminal Equipment - Net Salvage %	0.05	0.0797

Scenario Inputs			
Expense	Poles - Net Salvage %	-0.72	-0.8998
Expense	Aerial Cable - metallic - Net Salvage %	-0.4	-0.2303
Expense	Aerial Cable - non metallic - Net Salvage %	-0.4	-0.1753
Expense	Underground Cable - metallic - Net Salvage %	-0.17	-0.1826
Expense	Underground Cable - non metallic - Net Salvage %	-0.17	-0.1458
Expense	Buried - metallic - Net Salvage %	-0.1	-0.0839
Expense	Buried - non metallic - Net Salvage %	-0.1	-0.0858
Expense	Intrabuilding Cable - metallic - Net Salvage %	-0.14	-0.1574
Expense	Intrabuilding Cable - non metallic - Net Salvage %	-0.14	-0.1052
Expense	Conduit Systems - Net Salvage %	-0.18	-0.1034
Labor Adjustments	Regional Labor Adjustment Factor	0.74	1

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

CC Docket No. 96-45

**Federal-State Joint Board on
Universal Service**

EX PARTE MEETING - PROXY COSTS MODELS

ALTERNATIVE SUPPORT PROPOSAL

The South Dakota Public Utilities Commission ("SDPUC") does not support the alternative distribution proposal for high cost support that was developed by an Ad Hoc Staff Group and was presented to staff members of the Federal Communications Commission ("FCC") on January 15th and 16th 1998. The following is submitted to express and explain SDPUC's concerns:

- 1. Use of the embedded costs as a basis for receiving support will not provide support where it is needed most.**

There are too many other factors related to the embedded such as the age of the plant and the rate of depreciation. Using embedded penalizes states with older plant and high depreciation rates.

Compare two states that are fairly comparable in population. When you look at density, Iowa has 50% of its lines in the four lowest density zones while Kansas has 35%. So Iowa is slightly more rural. Using the blended model Iowa would receive \$.63 more per line than Kansas, fairly comparable. Yet on the embedded basis Kansas receives \$2.99 per line support, while Iowa receives \$.21 cents per line.

The Act states that urban and rural areas are to have comparable service and rates. This will not happen if there is no support for upgrading service in rural

areas. By using the older depreciated plant as the basis for support the plan does not provide support to achieve the comparable rates and service required by the Act.

The models are designed to provide support for a set of services that has been defined as universal service. By using the embedded cost, that only include the loop cost, you do not provide sufficient support in the high cost areas to provide those universal services. Those states whose support is calculated using the model are provided support for digital switching and will have the capability to upgrade services to support the required services. A state that is provided support using the embedded cost does not have the cost of the switch considered for support.

If the problem is in the models, then the model should be fixed. The Joint Board is working on this problem and we should give the joint board and the parties the opportunity to correct the models and not substitute an embedded number that puts the issuance of support on a basis that is not comparable among states.

2. State-wide averaging does not provide sufficient support for companies with areas of extreme high cost.

When you use state-wide averaging you are continuing the implicit subsidy of rate averaging.

In states such as South Dakota where you have a large number of small companies, the proposal does not provide sufficient support to the small companies by including them in the state wide average.

We can't assure that the small companies will be held harmless and they will receive the same amount. We have some areas of USW serving area that have just as high cost as the small companies.

Under this proposal, the USW exchanges that have been sold and were not receiving funding before will not receive funds. Some of these exchanges had very old plant and the buyers were depending on universal service funding to assist in upgrading the plant.

3. Implementation

This plan would require the continuation of data collection of ILEC's costs for calculation of support based on embedded costs.

This requirement on the ILECs but not the CLECs would be anticompetitive

The proposal will require calculating embedded cost and model cost. It would also require the continuation of Part 32 Accounting and Separations. It seems unlikely that in a competitive market that these requirements could be imposed on the ILECs in the future.

One of the reasons models were proposed was so that the funding would be competitively neutral and put CLECs and ILECs on an even basis in calculating support. Providing support on the basis of embedded costs means CLECs would receive or not receive funds based on the incumbents costs. This is not competitively neutral.

Does not give support equitably.

Providing support calculated on either the model's costs, the embedded costs, or the current support received is not comparable. Support received based upon the model includes support for undepreciated total cost to provide the services defined as universal service. The support received based upon the embedded cost or the current support, receive support for only the depreciated loop cost.

04 states receive support based on the blended models
19 states receive support based on the embedded costs
20 receive support based on the amount received under the current USF
07 states receive no support
22 states receive more support than provided by the current fund.

In many cases the results don't make sense.

Under the models Louisiana would receive support of 65 m, under the embedded they would receive 126 m, under the current system they receive 46m. Louisiana's support would be the 65 m calculated by the models.

Iowa would receive 138 m under the models, nothing under the embedded, and 4 m under the hold harmless.

South Dakota would receive 93 m under the models, 4 m under the embedded, and 6 m under the hold harmless.

Why is there so much difference between the support calculated from the blended model, the embedded and what the state currently receives? Especially when you consider that the current cost is calculated on the same embedded cost.

**This proposal is detrimental to states with extremely high cost loops.
favors states with moderately statewide high cost loops.**

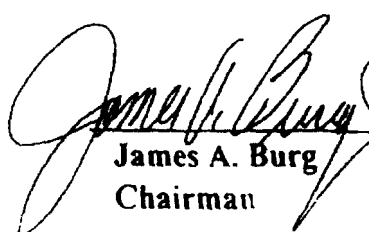
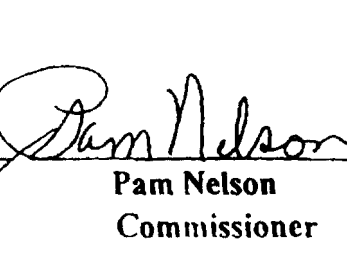
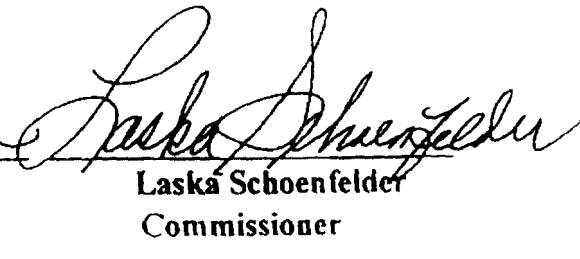
In the paper it says that states with a high proportion of access lines in the rural areas may also have a higher proportion of customers at risk from rate deaveraging. (pg 9, 3rd paragraph) The illustration used is Arkansas, Vermont and Maine. Both South Dakota and North Dakota have a much higher percentage of their lines in the lowest density zones. SD has 13%, and ND 15% while Maine has 2% and Vermont less than 1%. Yet ND's support will increase only \$.46 per line and SD will receive no increase at all. While Maine and Vermont will receive increases of \$3.41 and \$7.11 per line. How are ND and SD, these equally rural states, suppose to support deaveraging.

4. Does not meet the very goals set out in the paper

- a) Regarding sufficiency - The plan was designed to achieve a given bottom line and nothing says that using the lower of the embedded cost, the model's cost or the hold harmless is going to meet the sufficiency standard in the Act.
- b) Competitively neutral - distributing support on the basis of the incumbents cost is not competitively neutral.
- c) Will not meet the goal of reasonable comparable rates within a state or between states. Some states with very high cost areas will not receive sufficient support to maintain comparable rates.

The SDPUC respectfully requests that the FCC consider the positions stated in this filing.

Respectfully submitted by the South Dakota Public Utilities Commission this 19th day of February 1998.

		
James A. Burg Chairman	Pam Nelson Commissioner	Laska Schoenfelder Commissioner

APPENDIX Service List

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Before the
Federal Communications Commission
Washington, D. C. 20554

In the Matter of Federal-State)
Joint Board on Universal Service)

CC Docket No. 96-45 and
97-160 (DA 98-715)

AFFIDAVIT OF SERVICE BY ORDINARY MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Jeanette J. Filler deposes and says that:

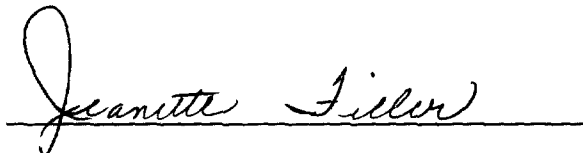
She is over the age of 18 years and not a party to this action and , on the 15th day of May, 1998, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Comments of North Dakota Public Service Commission Concerning Proposals to Revise the Methodology for Determining Federal Universal Service Support

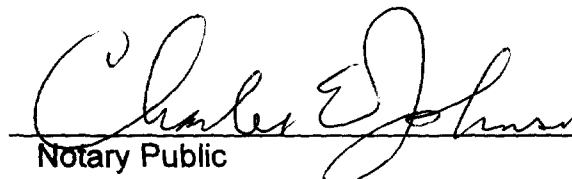
The envelopes were addressed as follows:

See attached List

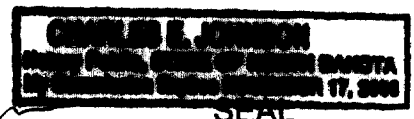
Each address shown is the respective addressee's last reasonably ascertainable post office address.



Subscribed and sworn to before me
This 15th day of May, 1998



Notary Public



SEAL

The Honorable Susan Ness, Chair,
Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 832
Washington, DC 20554

The Honorable Harold Furchtgott-Roth, Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 802
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The Honorable Gloria Tristani, Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 826
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The Honorable Julia Johnson, State Chair, Chairman
Florida Public Service Commission
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The Honorable David Baker, Commissioner
Georgia Public Service Commission
244 Washington Street, S.W.
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The Honorable Laska Schoenfelder, Commissioner
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Pierre, SD 57501-5070

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